

VILLAGE OF ATHENS
Clerk's Office
129 E. Burr Oak
P.O. Box 116
ATHENS, MI 49011

VILLAGE OF ATHENS
ATHENS, MICHIGAN

FINANCIAL STATEMENTS

FEBRUARY 28, 2006

BOLEY, JACKSON & CROSBY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
311 EAST MANSION STREET
MARSHALL, MICHIGAN 49068

VILLAGE OF ATHENS

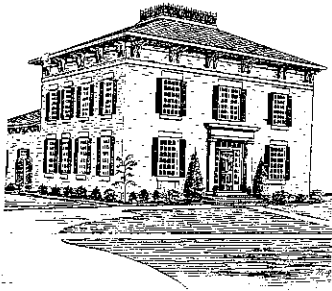
COMBINED BALANCE SHEET
ALL FUNDS

FEBRUARY 28, 2006

VILLAGE OF ATHENS

TABLE OF CONTENTS
FINANCIAL STATEMENTS

AUDITOR'S REPORT	1
COMBINED STATEMENTS:	
Combined balance sheet - All fund types	3
Combined statement of revenues and expenditures - All governmental fund types	4
Combined statement of fund balances - All governmental fund types	5
GENERAL FUND:	
Balance sheet	6
Statement of revenues and expenditures compared to budget	7
Statement of fund balance	8
SPECIAL REVENUE FUNDS:	
Combined balance sheet	9
Combined statement of revenues, expenditures compared to budget and fund balance	10
Major Street Fund:	
Balance sheet	11
Statement of revenues, expenditures and fund balance	12
Local Street Fund:	
Balance sheet	13
Statement of revenues, expenditures and fund balance	14
WATER FUND:	
Balance sheet	15
Statement of earnings and retained earnings	16
Statement of cash flows	17
CEMETERY PERPETUAL CARE FUND:	
Balance sheet	18
Statement of fund balance	18
GENERAL FIXED ASSET FUND	19
NOTES TO FINANCIAL STATEMENTS	20-26



Boley, Jackson & Crosby, PC

Certified Public Accountants

311 East Mansion Street, Marshall, Michigan 49068
INDEPENDENT AUDITOR'S REPORT
(269) 781-5126 • Fax (269) 781-2855

September 15, 2006

President and Members of
the Village Council
Village of Athens
Athens, Michigan 49011

We have audited the accompanying general-purpose financial statements of the Village of Athens as of February 28, 2006, and for the year then ended. These general-purpose financial statements are the responsibility of the Village of Athens, Michigan, management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards, "Government Auditing Standards", issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget Circular A-128, "Audits of State and Local Government". Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not observe the taking of the physical inventory in the Water Fund at February 28, 2006 (stated at \$23,709). We were unable to satisfy ourselves about inventory quantities by means of other auditing procedures.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to observe or test the physical inventory in the Water Fund as of February 28, 2006, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the various funds of the Village of Athens as of February 28, 2006, and the results of their operations and the cash flows of its proprietary fund type for the year then ended in accordance with generally accepted accounting principles.

<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	
	Cemetery	General	Totals
Water	Perpetual	Fixed	Memorandum
<u>Fund</u>	<u>Fund</u>	<u>Assets</u>	<u>Only</u>
\$238,127	\$ 34,055	\$ -0-	\$1,218,214
3,995			4,042
7,788			34,452
23,709			23,709
-0-			39
			2,869
<u>305,260</u>		<u>224,294</u>	<u>529,554</u>
<u>\$578,879</u>	<u>\$ 34,055</u>	<u>\$224,294</u>	<u>\$1,812,879</u>

\$ 874	\$ -0-	\$ -0-	\$ 4,920
			4,197
			4,339
			64,419
	1,286		1,286
96,000			96,000
<u>77,421</u>			<u>77,421</u>
173,421	1,286	-0-	252,582
<u>404,584</u>	<u>32,769</u>	<u>224,294</u>	<u>1,560,297</u>
<u>\$578,879</u>	<u>\$ 34,055</u>	<u>\$224,294</u>	<u>\$1,812,879</u>

VILLAGE OF ATHENS

COMBINED STATEMENTS OF REVENUES AND EXPENDITURES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Total (Memorandum Only)</u>
REVENUES:			
Current tax levy	\$162,498	\$ -0-	\$162,498
Collection fees	310		310
State shared revenue	112,756	80,112	192,868
Interest on investments	5,211	6,558	11,769
Refunds & Miscellaneous	4,002	2,366	6,368
Franchise fees	2,528		2,528
Rent	249		249
Licenses & permits	325		325
Nextel payments	<u>14,989</u>		<u>14,989</u>
<u>Total Revenues</u>	<u>302,868</u>	<u>89,036</u>	<u>391,904</u>
EXPENDITURES:			
General Government -			
Village Board	4,278		4,278
Elections	(165)		(165)
President	60		60
Clerk	1,467		1,467
Treasurer	2,036		2,036
Assessor	0		0
Town Hall	39,404		39,404
Building and grounds	107,003		107,003
Payroll	<u>167,848</u>		<u>167,848</u>
<u>Total Governmental Expenditures</u>	<u>321,931</u>	<u>-0-</u>	<u>321,931</u>
Street & lighting	<u>15,814</u>	<u>36,903</u>	<u>52,717</u>
<u>Total Expenditures</u>	<u>337,745</u>	<u>36,903</u>	<u>374,648</u>
<u>Excess of revenues</u> over (under) expenditures (34,877)		52,133	17,256
OTHER FINANCING SOURCES (USES) OF FUNDS:			
Transfers in (out)	<u>43,504</u>	(<u>20,522</u>)	<u>22,982</u>
<u>Excess of revenues</u> <u>and other sources</u> <u>over (under) expenditures</u>	<u>\$ 8,627</u>	<u>\$31,611</u>	<u>\$ 40,238</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS

COMBINED STATEMENT OF FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>General</u>	<u>Special Revenue</u>	Totals (Memorandum) <u>Only</u>
FUND BALANCE - BEGINNING	\$332,172	\$526,240	\$858,412
<u>Excess of revenue and other sources of funds over (under) expenditures</u>	<u>8,627</u>	<u>31,611</u>	<u>40,238</u>
FUND BALANCE - ENDING	<u>\$340,799</u>	<u>\$557,851</u>	<u>\$898,650</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

Cash	\$388,181
Accounts receivable (Note 2)	47
Delinquent taxes receivable	26,664
Prepaid expenses	2,869
Due from other funds:	
Water fund	39
<u>Total Assets</u>	<u>\$417,800</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:	
Accounts payable	\$ 4,046
Accrued payroll	4,197
Payroll taxes	4,339
Equipment reserve	64,419
Due to other funds:	<u>-0-</u>
<u>Total Liabilities</u>	77,001
 FUND BALANCE	 <u>340,799</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$417,800</u>

VILLAGE OF ATHENS

GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
FOR THE YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUES:			
Current tax levy	\$157,364	\$162,498	\$ 5,134
Collection fees	1,836	310	(1,526)
State revenue sharing	110,000	112,756	2,756
Licenses and permits	600	325	(275)
Interest on investments	2,300	5,211	(2,911)
Refunds & Miscellaneous	650	4,002	3,352
Franchise fees	2,500	2,528	28
Rent	20	249	229
Sales-Other	300	0	(300)
Nextel payments		<u>14,989</u>	<u>14,989</u>
Total Revenues	275,570	281,878	27,298
EXPENDITURES:			
General Government -			
Village Board	4,503	4,278	225
Elections	0	(165)	165
President	60	60	-0-
Clerk	1,416	1,467	(51)
Treasurer	1,985	2,036	(51)
Assessor	0	0	0
Town Hall	39,932	39,617	315
Building and grounds	106,184	107,003	(819)
Payroll	<u>160,504</u>	<u>167,848</u>	<u>(7,344)</u>
Total governmental Expenditure	314,584	322,144	(7,560)
Total General Government Expenditures			
Street & Lighting	<u>15,773</u>	<u>15,814</u>	<u>(41)</u>
Total Expenditures	<u>330,357</u>	<u>337,958</u>	<u>(7,601)</u>
Excess of revenues over (under) expenditures	(\$ 54,787)	(\$ 35,090)	\$19,697
Other Financing Sources (uses) of Funds:			
Transfers in (out)	<u>55,000</u>	<u>43,504</u>	<u>(11,496)</u>
Excess of revenues and Other source over (under) expenditures	<u>213</u>	<u>\$ 8,414</u>	<u>\$ 8,201</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS

GENERAL FUND
STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

FUND BALANCE - BEGINNING	\$332,598
<u>Excess of revenues and other</u> <u>sources of funds over (under) ex-</u> <u>penditures</u>	<u>8,201</u>
FUND BALANCE - ENDING	<u>\$340,799</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS

COMBINED BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
FEBRUARY 28, 2006

	Major Street <u>Fund</u>	Local Street <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	<u>\$276,032</u>	<u>\$281,819</u>	<u>\$557,851</u>
<u>Total Assets</u>	<u>\$276,032</u>	<u>\$281,819</u>	<u>\$557,851</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Due to other funds	\$ -0-	\$ -0-	\$ -0-
FUND BALANCE	<u>276,032</u>	<u>281,819</u>	<u>557,851</u>
<u>Total Liabilities</u> <u>and Fund Balance</u>	<u>\$276,032</u>	<u>\$281,819</u>	<u>\$557,851</u>

VILLAGE OF ATHENS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES AND EXPENDITURES, COMPARED TO BUDGET AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

	Major Street Fund	Local Street Fund	Total	Budget	Variance Favorable (Unfavorable)
REVENUES:					
State shared revenue	\$ 56,469	\$ 23,643	\$ 80,112	\$ 86,000	(\$ 5,888)
Interest income	3,477	3,081	6,558	3,500	3,058
Other - Misc	<u>1,577</u>	<u>789</u>	<u>2,366</u>	<u>-0-</u>	<u>2,366</u>
<u>Total Revenues</u>	61,523	27,513	89,036	89,500	(464)
EXPENDITURES:					
Street Maintenance	27,650	3,263	30,913	33,150	(2,237)
Capital outlay	0	0	0	0	0
Other	<u>2,985</u>	<u>3,005</u>	<u>5,990</u>	<u>17,844</u>	<u>(11,854)</u>
<u>Total Expenditures</u>	<u>30,635</u>	<u>6,268</u>	<u>36,903</u>	<u>50,994</u>	<u>(14,091)</u>
<u>Excess</u> <u>of revenues over (under)</u> <u>expenditures</u>	30,888	21,245	52,133	38,506	13,627
OTHER SOURCES (USES) OF FUNDS:					
Transfers in (out)	(28,526)	8,004	(20,522)	(20,522)	0
<u>Excess of</u> <u>revenues and other</u> <u>sources of funds over</u> <u>(under)</u> <u>expenditures and</u> <u>other uses of funds</u>	2,362	29,249	31,611	<u>\$ 17,984</u>	<u>\$ 13,627</u>
FUND BALANCE - BEGINNING	<u>273,670</u>	<u>252,570</u>	<u>526,240</u>		
FUND BALANCE - ENDING	<u>\$276,032</u>	<u>\$281,819</u>	<u>\$557,851</u>		

VILLAGE OF ATHENS

MAJOR STREET FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

Cash	\$276,032
Due from other funds	<u>-0-</u>
<u>Total Assets</u>	<u>\$276,032</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Due to general fund	<u>0</u>
<u>Total Liabilities</u>	0

FUND BALANCE	<u>276,032</u>
--------------	----------------

<u>Total liabilities and fund balance</u>	<u>\$276,032</u>
---	------------------

VILLAGE OF ATHENS
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

REVENUES:

State of Michigan - Motor Vehicle	
Highway funds	\$ 56,469
Interest	3,477
Other - Misc	<u>1,577</u>
<u>Total Revenues</u>	61,523

EXPENDITURES:

Street maintenance	27,650
Capital outlay	-0-
Other	<u>2,985</u>
<u>Total expenditures</u>	<u>30,635</u>

<u>Excess (deficiency) of revenues</u> over expenditures	30,888
---	--------

OTHER SOURCES (USES) OF FUNDS:

Transfer to General fund	(14,380)
Transfer to Local Street fund	(14,146)
Transfer to Water fund	<u>0</u>

<u>Total Other Sources (Uses) of Funds</u>	(<u>28,526</u>)
--	-------------------

<u>Excess of revenues and</u> <u>other sources of funds over (under) expendi-</u> <u>tures and other uses of funds</u>	2,362
--	-------

FUND BALANCE - BEGINNING	<u>273,670</u>
--------------------------	----------------

FUND BALANCE - ENDING	<u>\$276,032</u>
-----------------------	------------------

VILLAGE OF ATHENS

LOCAL STREET FUND

BALANCE SHEET

FEBRUARY 28, 2006

ASSETS

Cash	<u>\$281,819</u>
<u>Total Assets</u>	<u>\$281,819</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	-0-
-------------	-----

FUND BALANCE	<u>281,819</u>
--------------	----------------

<u>Total Liabilities and Fund Balance</u>	<u>\$281,819</u>
---	------------------

VILLAGE OF ATHENS

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES, AND FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

REVENUES:

State of Michigan - Motor Vehicle	
Highway funds	\$ 23,643
Interest	3,081
Misc	<u>789</u>
<u>Total Revenues</u>	27,513

EXPENDITURES:

Street maintenance	3,263
Other	<u>3,005</u>
<u>Total expenditures</u>	<u>6,268</u>

<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	21,245
--	--------

OTHER SOURCES (USES) OF FUNDS:

Transfer from Major Street fund	14,146
Transfer to Other Funds	(<u>6,142</u>)

<u>Total other sources (uses) of funds</u>	<u>8,004</u>
--	--------------

<u>Excess of revenues</u> <u>over (under) expenditures and other</u> <u>sources (uses) of funds</u>	29,249
---	--------

FUND BALANCE - BEGINNING	<u>252,570</u>
--------------------------	----------------

FUND BALANCE - ENDING	<u>\$281,819</u>
-----------------------	------------------

VILLAGE OF ATHENS

WATER FUND
BALANCE SHEET

	February 28, 2006 (Audited)	February 28, 2005 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash	\$238,127	\$195,756
Water billings receivable	3,995	3,054
Delinquent tax receivable	7,788	5,934
Inventory (Note 1)	<u>23,709</u>	<u>10,429</u>
<u>Total Current Assets</u>	\$273,619	\$215,173
FIXED ASSETS:		
At cost, net of accumulated depreciation (Note 3)	<u>305,260</u>	<u>331,253</u>
<u>Total Assets</u>	<u>\$578,879</u>	<u>\$546,426</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Accounts payable	\$ 874	\$ 1,454
Due to General Fund	-0-	19,749
Contractual obligations payable, current portion (Note 5)	12,000	12,000
Note payable, current portion (note 8)	<u>16,992</u>	<u>16,992</u>
<u>Total Current Liabilities</u>	29,866	50,195
LONG-TERM LIABILITIES:		
Contractual obligations payable, due after one year (Note 5)	84,000	96,000
Note payable (Note 8)	<u>60,429</u>	<u>71,380</u>
<u>Total Long-term Liabilities</u>	144,429	167,380
FUND BALANCE	<u>404,584</u>	<u>328,851</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$578,879</u>	<u>\$546,426</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS

WATER FUND
STATEMENT OF EARNINGS AND RETAINED EARNINGS

	<u>For the year ended</u>	
	February 28, 2006 <u>(Audited)</u>	February 28 2005 <u>(Unaudited)</u>
OPERATING REVENUES:		
Water billings	\$119,373	\$120,209
Interest	2,136	788
Miscellaneous	-0-	230
Water fees	<u>4,478</u>	<u>10,925</u>
<u>Total Revenues</u>	125,987	132,150
OPERATING EXPENSES BEFORE DEPRECIATION:		
Reimbursement to general fund	22,057	27,396
Operating supplies	4,797	3,248
Professional services	3,002	2,255
Repairs and maintenance	10,647	26,835
Utilities	8,069	11,160
Office supplies	93	144
Miscellaneous	938	7,414
Filtration plant	<u>14,979</u>	<u>4,940</u>
<u>Total Operating Expenses</u>	<u>64,582</u>	<u>83,392</u>
NET EARNINGS (LOSS) BEFORE DEPRECIATION	61,405	48,758
Less - Depreciation	<u>25,993</u>	<u>25,993</u>
NET OPERATING EARNINGS (LOSS)	35,412	22,765
Plus: Current tax levy	49,747	46,189
Other income	<u>2,015</u>	<u>831</u>
	87,174	69,785
Less - Non-operating interest	<u>11,441</u>	<u>12,757</u>
NET INCOME (LOSS)	75,733	57,028
RETAINED EARNINGS - BEGINNING	<u>328,851</u>	<u>271,823</u>
RETAINED EARNINGS - ENDING	<u>\$404,584</u>	<u>\$328,851</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS
WATER FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED FEBRUARY 28, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income (loss)	\$ 75,733
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	25,993
(Increase) decrease in water billings receivable	(941)
(Increase) decrease in inventory	(13,280)
(Increase) decrease in due from (to) other funds	(19,749)
(Increase) decrease in delinquent tax rec	(1,854)
Increase (decrease) in accounts payable	(580)
<u>Net Cash Provided By Operating Activities</u>	65,322
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	<u>-0-</u>
<u>Net Cash Used By Investing Activities</u>	-0-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of long-term debt	(12,000)
Repayment in long-term debt	(10,951)
<u>Net Cash Used By Financing Activities</u>	(22,951)
Net increase (decrease) in cash	42,371
Cash at the beginning of year	<u>195,756</u>
Cash at the end of year	<u>\$ 238,127</u>

See accompanying notes to financial statements

VILLAGE OF ATHENS
CEMETERY PERPETUAL CARE FUND
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

Cash	<u>\$34,055</u>
<u>Total Assets:</u>	<u>\$34,055</u>

LIABILITIES AND FUND BALANCE

Liabilities	
Due to General Fund	<u>1,286</u>
<u>Total Liabilities:</u>	1,286
FUND BALANCE	<u>32,769</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$34,055</u>

STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

FUND BALANCE - BEGINNING OF YEAR	\$28,215
Lot sales	4,875
Interest	319
Capital outlay & expenses	(<u>640</u>)
FUND BALANCE - ENDING OF YEAR	<u>\$32,769</u>

to financial statements

VILLAGE OF ATHENS
GENERAL FIXED ASSETS
BALANCE SHEET
FEBRUARY 28, 2006

ASSETS

Land (at cost)	\$ 7,125
Buildings (Note 7)	56,460
Equipment (Note 7)	<u>160,709</u>
 Total Assets	 <u>\$224,294</u>

FUND BALANCE

FUND BALANCE	<u>\$224,294</u>
--------------	------------------

STATEMENT OF FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 28, 2006

FUND BALANCE - BEGINNING	\$224,294
Asset- Additions	-0-
Asset- Disposals	<u>-0-</u>
 FUND BALANCE - ENDING	 <u>\$224,294</u>

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Village of Athens conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present fairly the Village of Athens (primary government) and its component units.

A. FUNDS AND ACCOUNT GROUPS

The accounts of the Village are organized into funds and account groups, each of which is considered to be a separate account entity. The major fund categories and account groups are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

GOVERNMENTAL FUNDS

GENERAL FUND - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local units. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

SPECIAL REVENUE FUNDS - These funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purpose.

PROPRIETARY FUNDS

ENTERPRISE FUNDS - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

GENERAL FIXED ASSETS ACCOUNT GROUP - Accounts for all fixed assets of the city, except those accounted for in Proprietary Funds.

GENERAL LONG-TERM DEBT ACCOUNT GROUP - Accounts for all long-term obligation of the Village, except those accounted for in Proprietary Funds.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR THEN ENDED FEBRUARY 28, 2006

NOTE 1: (Continued)

PROPERTY, PLANT, EQUIPMENT AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long term liabilities Associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "Financial Flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated replacement cost if actual historical cost is not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement or results of operation.

B. PROPERTY, PLANT, EQUIPMENT AND LONG-TERM LIABILITIES (continued)

All Proprietary Funds and non-expendable Trust Funds are accounted for on a cost of services or "Capital Maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	5-50 years
Improvements	10-20 years
Equipment	5-10 years

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1: (Continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental funds revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

D. BUDGET AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Council submits a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to May 1, the budget is legally enacted through adoption.
4. Any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. Budgets for the General, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

E. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents includes amounts in demand and time deposits as well as short-term investments with a maturity date within three months of the date required by the government.

State statutes authorize and limit the government as to type of investments.

Investments are stated at cost or amortized cost.

F. RECEIVABLES

All receivables are reported at their net value by being reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 1: (continued)

G. INVENTORY

Inventory is valued at cost which approximates market, using the first-in/first-out (FIFO) method.

H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "due to/due from".

I. INTERFUND TRANSACTIONS

Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund, are recorded as expenses in the reimbursing fund and as revenue.

J. COMPARATIVE DATA

Comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statement unduly complex, difficult to read, and has not been audited by us.

K. MEMORANDUM ONLY - TOTAL COLUMNS

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - ACCOUNTS RECEIVABLE - GENERAL FUND:

There was only nominal accounts receivable detected in the course of the audit.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 3 - FIXED ASSETS - WATER FUND:

Depreciation included in the determination of net earnings for the year ended February 28, 2006 amounted to \$25,993 and is computed by the straight-line method.

The principal categories of fixed assets are as follows:

Filtration plant	\$175,287
Filtration equipment	177,643
Water storage	192,616
Water mains, hydrants, valves	186,193
Pump house and well	36,706
Storage building	5,417
- Other equipment	<u>16,714</u>

<u>Total Cost</u>	<u>\$790,576</u>
-------------------	------------------

Less - Accumulated depreciation	<u>485,316</u>
---------------------------------	----------------

<u>Undepreciated Cost</u>	<u>\$305,260</u>
---------------------------	------------------

NOTE 4 - BUDGET VIOLATIONS:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for General, Special Revenue, and Debt Service Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended February 28, 2006, the Board amended its budget so that its expenditures were not more than its budget after the amendment.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 5 - CONTRACTUAL OBLIGATIONS PAYABLE:

The Village of Athens has entered into a contract with Calhoun County to finance the construction of a water supply system. In accordance with the contract, Calhoun County has issued bonds, as indicated below, secured by the contractual obligations of the Village to pay the installments due, plus interest at 5% per annum. The Village is required to levy property tax each year, sufficient to pay the obligations when due. The schedule of repayment of the obligations is as follows:

Year Ended	Annual Principal	Total Principal		Total
<u>February 28,</u>	<u>Maturity</u>	<u>Maturity</u>	<u>Interest</u>	<u>Payments</u>
2006-2014	12,000	<u>108,000</u>	<u>27,000</u>	<u>135,000</u>
<u>Total</u>		<u>\$108,000</u>	<u>\$ 27,000</u>	<u>\$135,000</u>

The contractual obligations are payable annually on December first, with interest payable at 5% on June first and December first.

NOTE 6 - WATER FUND COMPARATIVE STATEMENTS:

The Farmers Home Administration has required the Village to report its financial statements for the Water Fund on a comparative type basis with the previous year. We have not audited the year ending February 28, 2005 and accordingly, do not express an opinion or any other form of assurance on that year.

NOTE 7 - GENERAL FIXED ASSETS:

The Village did not maintain General Fixed Asset records prior to 1981. As a result, an inventory was taken and current market values placed on all items which were purchased prior to 1981. Assets purchased after 1981 are stated at cost.

VILLAGE OF ATHENS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 28, 2006

NOTE 8 - NOTES PAYABLE:

The notes payable of the Water Fund at February 28, 2006, consist of the following:

	Due within <u>one year</u>	Due after <u>one year</u>	<u>Total</u>
Note payable to Southern Michigan Bank & Trust, payable in monthly installments of \$1,416.00 including interest at 7.15 percent	<u>\$16,992</u>	<u>\$ 60,429</u>	<u>\$ 77,421</u>

NOTE 9: RISK MANAGEMENT AND RELATED ISSUES

The Village of Athens is not involved in any public entity risk pools as of February 28, 2006. The Village is exposed to various risks of loss related to, theft of, damage to and destruction of assets, errors and omissions, injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceed insurance coverage for the past two years. The Village presently has no formal Risk Management and Related Insurance Issues policy.